



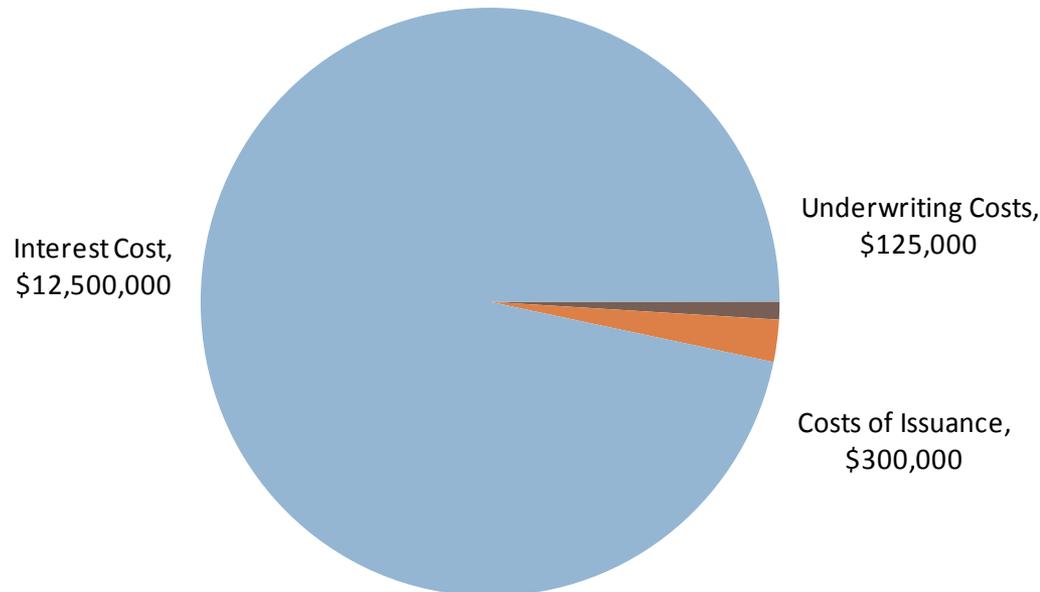
COST OF ISSUANCE

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Expenses For a Bond Issue

Estimated Financing Costs on a \$25 million Bond Issuance



Estimated for a typical \$25 million bond issuance with a 5% borrowing rate for 25 years and \$5 per bond for underwriter cost.

Cost of Issuance

By definition *Costs of Issuance* are the expenses paid by or on behalf of the issuer in connection with the sale and issuance of bonds.

– *California Debt Issuance Primer*

Common Costs of Issuance

- Bond counsel
- Bond Insurance
- Credit Rating
- Disclosure counsel
- Feasibility or Fiscal Consultant
- Financial Advisor
- Miscellaneous fees
- Trustee
- Underwriter's Spread

CDIAC Debt Issuance Fee

Current Fee Structure

- Long-term financings: 15 basis points (0.00015) of principal amount not to exceed \$3,000
- Short-term financings: \$150
(final maturity date is 18 months or less from the issue date)
- Assessed to lead underwriter or purchaser
- Public or private financings are subject to fee

Factors in Negotiating Fees

- Complexity of Deal
- Issuer Rating
- Conflicts of Interest
- Underwriter Takedown
- Cheaper is not always best

How Agencies Manage Issuance Costs

- Review fees charged by financing team members.
- Issuers should strive to achieve quality service for a fair price.
- Compare a proposed fee against similar transactions.
- Sources of COI information include CDIAC as well as Official Statements.

Cost of Issuance

Major Issuance Expenses By Par Value 2009-2011

Par Value Category	Number in Category	Median Par Value		Underwriter Spread	Financial Advisor Fee	Legal Fee	Sum
			Median	A	B	C	(A+B+C)
<\$10:	175	\$5,200,000	Dollar \$	\$ 50,000	\$ 63,675	\$ 47,500	\$ 161,175
			% of Par	1.000%	1.180%	0.917%	3.096%
\$10 - <\$25:	118	\$15,070,000	Dollar \$	\$ 132,654	\$ 75,750	\$ 59,000	\$ 267,404
			% of Par	0.946%	0.471%	0.381%	1.798%
\$25-<\$75	133	\$38,389,923	Dollar \$	\$ 275,725	\$ 82,450	\$ 79,125	\$ 437,300
			% of Par	0.700%	0.206%	0.192%	1.098%
\$75 and Over	52	\$127,500,000	Dollar \$	\$ 803,318	\$ 90,221	\$ 139,549	\$ 1,033,088
			% of Par	0.557%	0.078%	0.106%	0.741%

Source: California Local Agency General Obligation Bond Cost of Issuance 2009-2011

Financing Team Members

Each play a role in the issuance process and in helping lower interest expenses

- Financial Advisor: Serves as the “quarterback” for the financing and an advocate for public agencies to help reduce interest expense. Only financing team members with a fiduciary duty owing to issuer.
- Bond Counsel: Provides a bond opinion to allow issuers to borrow at tax-exempt rates.
- Disclosure Counsel: Puts together a prospectus with issuer and bond information and provides opinion for investors.
- Underwriter: Identifies investors and markets bonds to set borrowing rates on the bonds.
- Rating Agencies: Provides credit analyses to help investors evaluate risk.
- Credit Enhancers: Bond insurance, LOC banks, and liquidity providers provide an additional level of security in a transaction.
- Others: Paying agent, trustees, title insurer, printers and other financing team members also contribute in the bond issuance process.